

Message Text

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ACTION EUR-12

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INR-10 NSAE-00 ICA-11 TRSE-00 XMB-02 OPIC-03
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SUBJECT: SOVIET-WEST GERMAN TRADE RELATIONS

SUMMARY: TWO WEEKS BEFORE BREZHNEV VISIT TO FRG, SOVIET
ECONOMIC WEEKLY "EKONOMICHESKAYA GAZETA" (EKGZ) NO. 17
CARRIES LONG ARTICLE ANALYZING SOVIET-FRG TRADE RELATIONS.
BASIC THRUST OF ARTICLE IS TO SHOW IMPORTANCE OF BILATERAL
TRADE, ITS RAPID GROWTH OVER LAST DECADE, BUT ALSO TO
POINT OUT EXISTING HINDRANCES (ON PART OF FRG, NATURALLY)
TO FULL REALIZATION OF ITS POTENTIAL. END SUMMARY.

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1. ARTICLE POINTS OUT THAT VOLUME OF BILATERAL TRADE HAS
GROWN BY 450 PERCENT SINCE 1970 (WHEN FRG'S SHARE IN
SOVIET FOREIGN TRADE WAS 2.5 PERCENT). ARTICLE FAILS TO
MENTION, HOWEVER, THAT SOVIET-FRG TRADE TURNOVER ACTUALLY
DECLINED IN 1977 (BUT ONLY BY APPROXIMATELY \$62 MILLION),
REVERSING THE PREVIOUS LONG-TERM TREND, THAT FRG'S SHARE
DECLINED FROM 5.3 PERCENT TO 4.7 PERCENT.

2. TO IMPRESS SOVIET READER WITH IMPORTANCE OF USSR FOR WEST GERMAN INDUSTRY, ARTICLE CLAIMS THAT IN RECENT YEARS SOVIET UNION HAS TAKEN 20 PERCENT OF FRG EXPORTS OF DIE CASTING MACHINERY, 20 PERCENT OF FORGE-PRESSES AND RELATED EQUIPMENT, AND 17 PERCENT OF CHEMICAL INDUSTRY EQUIPMENT. IN TURN, USSR SUPPLIES 20 PERCENT OF FRG IMPORTS OF DIESEL FUEL, 22 PERCENT OF SAWN WOOD, 20 PERCENT OF APATITE

CONCENTRATES, 30 PERCENT OF ASBESTOS. BECAUSE OF WEST GERMAN "RECESSION," TRADE TIES WITH USSR, WHICH OFFER LONG-TERM STABILITY, ARE ESPECIALLY IMPORTANT TO WEST GERMAN INDUSTRY, ARTICLE CLAIMS. IT ALSO STATES THAT IMPORTANCE FOR BILATERAL TRADE OF TRADING COMPANIES IN WHICH SOVIETS HAVE A PARTICIPATION IS GROWING AND THAT THESE COMPANIES NOW ACCOUNT FOR 10 PERCENT OF SOVIET SALES TO FRG.

3. WHEN SPEAKING OF DEVELOPMENT OF EAST-WEST TRADE, SOVIETS NEVER LOSE OPPORTUNITY TO PRAISE COMPENSATION DEALS AS THE WAVE OF THE FUTURE AND EKGAZ ARTICLE IS NO EXCEPTION. ONLY SPECIFIC COMPENSATION DEAL MENTIONED IS WEST GERMAN PARTICIPATION IN CONSTRUCTION OF OSKOL' (KURSK) METALLURGICAL COMBINE. ARTICLE ALSO STATES THAT SOVIET-WEST GERMAN COOPERATION IN THIRD COUNTRIES IS GROWING, MENTION-LIMITED OFFICIAL USE

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ING PROJECTS IN ARGENTINA, ICELAND AND AFGHANISTAN. ARTICLE DOES NOT, HOWEVER, NEGLECT "OBSTACLES" TO FURTHER DEVELOPMENT OF TRADE IMPOSED BY FRG: QUOTAS, SPECIAL SYSTEM OF CONTROLS ON IMPORTS OF CANNED FRUITS AND VEGETABLES, AND ANTI-DUMPING PROCEDURES.

4. HAVING EARLIER PRAISED POSITIVE RESULTS FOR BILATERAL TRADE ACHIEVED DURING 1973 BREZHNEV VISIT TO FRG AND 1974 SCHMIDT VISIT TO USSR, ARTICLE CONCLUDES WITH STATEMENT THAT FORTHCOMING BREZHNEV VISIT WILL UNDOUBTEDLY "GIVE NEW IMPULSES TO THE GROWTH OF ECONOMIC RELATIONS BETWEEN THE FRG AND THE USSR, PERMIT THE EXISTING ECONOMIC POTENTIAL OF BOTH COUNTRIES TO REACH A HIGHER LEVEL."

5. COMMENT: IT IS STANDARD THAT PRECEDING A HIGH-LEVEL VISIT THE SOVIETS ATTEMPT TO PICTURE EXISTING RELATIONS IN BEST LIGHT POSSIBLE. THE FRG IS STILL BY FAR THE MOST IMPORTANT WESTERN TRADING PARTNER OF THE SOVIET UNION. NEVERTHELESS, THE WEST GERMANS HERE WERE NOT HAPPY TO SEE EVEN A SLIGHT DECLINE IN THEIR EXPORTS TO THE USSR. WHILE THEY VIEW WITH CONCERN THE INCREASING SOVIET EMPHASIS ON COMPENSATION DEALS, WEST GERMAN FIRMS SEEM WILLING TO BOW

TO SOVIET PRESSURES IN THIS DIRECTION IN ORDER TO WIN
CONTRACTS. (SEE MOSCOW 7411). GERMAN EMBASSY OFFICIALS
HAVE ACKNOWLEDGED THAT LEANER PROSPECTS AT HOME DO TEND TO
INCREASE THE IMPORTANCE OF THE SOVIET MARKET FOR WESTERN
FIRMS WHICH ARE BEING DRIVEN TO INCREASE THE FLEXIBILITY
OF THEIR OWN APPROACH BY THE TOUGHER COMPETITION. AND
LIKE ALL THE WEST EUROPEANS, THE GERMANS VIEW WITH ALARM
WHAT THEY PERCEIVE AS INCREASINGLY SUCCESSFUL JAPANESE
COMPETITION IN THE SOVIET MARKET. TOON

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